GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:1253
ANSWERED ON:26.11.2002
TARGET OF DISINVESTMENT
AJAY SINGH CHAUTALA;CHANDRA NATH SINGH;HEMA GAMANG;SADASHIVRAO DADOBA MANDLIK

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the target of disinvestment has not been achieved so far even after selling of profitable PSUs;

(b) if so, the details of each PSUs and the reasons therefore;

(c) whether the Government have conducted any study regarding the profitability of the disinvestment process;

(d) if so, the details thereof and if not, the reasons therefore; and

(e) the names of the undertakings and industries under public sector proposed to be disinvested in near future?

Answer

MINISTER OF DISINVESTMENT, MINISTER OF DEVELOPMENT OF NORTH EASTERN REGION AND MINIST
COMMERCE & INDUSTRY (SHRI ARUN SHOURIE)

(a) Out of thirty four cases of disinvestment through strategic sale/100% sale of shares/slum sale during the period 1999-2000 to October, 2002, twenty five cases were of loss-making companies and nine cases were profitable companies. While the realisation from disinvestment has been less than the targets, there has been an increasing trend in realisation (inclusive of expected realisation, control premium, dividends and transfer of surplus cash) since 1999-2000 as per details below:

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1999-2000   Rs 1829 crores
2000-2001   Rs 1869 crores
2001-2002   Rs 5632 crores
2002-2003   Rs  4777 crores (till October 2002)
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(b) The list of disinvestment through strategic sale since 1999-2000, the face value of Government equity sold and the sale realisation are given in Annexure-I. It is difficult to predict the realisation from disinvestment, which depends on market conditions, investor interest and related factors. Government has consciously guarded against distress sales and disinvests only when the appropriate realisation is available. In several cases, the preparatory work required to clarify the structure and quantum of assets and liabilities has taken longer than scheduled.

(c) & (d) During the period 1991-2000, disinvestment of Government equity in public sector Undertakings was primarily through sale of minority shares in small lots. In the Budget speech of 2000-01, Government had announced it would increasingly use strategic sale for disinvestment of identified PSUs. Experience shows that strategic sale has been advantageous for government. The price- earning ratio in the case of strategic sale has ranged from 11 to 89. In comparison the price to earning ratio for the market sale of shares, during 1991-2000, was as low as 4.4 to 6.0 even in the case of profitable companies like IOC, BPCL, HPCL, GAIL and VSNL. Further the avoided interest cost on the realisation from disinvestment is several times more than the dividend received by the Government from such PSUs in previous years. In addition, there is anecdotal evidence that there has been significant efficiency enhancement in disinvested PSUs, which is beneficial for the economy.

(e) There are thirty five cases where the decision to disinvest has been taken and the disinvestment is in progress, seven cases of hotels in the Joint Sector, where Government is in discussion with State Governments, two cases where the disinvestment has been deferred for three months w.e.f. 7th September, 2002, two cases where the disinvestment process has not been restarted after there was no response for earlier sale, one case of disinvestment through sale of residual shares in the market and seven cases for which recommendations have been received from Disinvestment Commission, as per details in Annexure-II.

Annexure I

ANNEXURE REFERRED TO IN REPLY TO PART (b) OF LOK SABHA UNSTARRED QUESTION NO1253 FOR 26-11-2002 BY SHRI AJAY SINGH CHAUTALA, SHRI SADASHIVRAO DADOBA MANDLIK, SHRI C.N. SINGH AND SHRIMATI HEMA GAMANG

Details of disinvestment and amount realised through strategic sale and related transactions since 1999-2000 to till date.

Rs. in crore

No	Name	GoI Equity sold	Realisation
1a.	MFIL	9.63	105
1b.	MFIL - Phase II	3.38	44 @@
2.	BALCO	112.52	826.5
3.	CMC	7.73	152
4.	HTL	11.1	55
5.	LJMC	0.77	2.53
	ITDC-19 HOTELS		
6.	Agra	1.70	3.61
7	Bodhgaya	0.44	1.81
8.	Hassan	0.21	2.27
9.	Mamallapuram	0.83	6.13
10.	Madurai	0.71	4.97
11.	Bangalore	0.96	39.41(up-front fee); (4.11 - MGAP)
12.	Qutab	0.83	34.46
13.	Lodhi	0.96	71.93
14.	LVPH, Udaipur	0.55	6.77
15.	Manali	0.63	3.65
16.	Kovalam	1.85	40.39
17.	Aurangabad	1.16	16.50
18.	Airport Kolkata	0.66	19.39
19.	Khajuraho	0.97	2.19
20.	Varanasi	1.74	8.38
21.	Kanishka	1.90	92.37
22.	Indraprastha (AYN)	0.80	43.39
23.	Chandigarh project	7.00	17.27
24.	Ranjit	3.20	29.20
	Sub-total	27.10	444.09
	HCI-3 HOTELS		
25.	Juhu, Bombay	8.95	153
26.	Rajgir	1.72	6.51
27.	Airport, Mumbai	4.0	83
	Sub-total	14.67	242.51
28.	IBP	7.44	1153.68
29.	VSNL	71.25	3689
30	PPL	320.16	151.70
31.	JESSOP	68.13	18.18 @@
32.	Hindustan Zinc Ltd.	109.85	445
33.	Maruti Udyog	66.00	2424 @@
34.	IPCL	64.5	1490.84

@ Including NPV of future earnings on MGAP & lease rentals
@@ expected

including dividend & divi. Tax
minimum amount to be received over 3 tranches; could go up to Rs. 3158 cr.

Companies at Sr. No. 5, 23, 25, 26, 27 & 31 are subsidiaries.
Sale at 31 to be approved by Government/BIFR

Annexure II.

ANNEXURE REFERRED TO IN REPLY TO PART (e) OF LOK SABHA UNSTARRED QUESTION NO 1253 FOR 26-11-2002 BY SHRI AJAY SINGH CHAUTALA, SHRI SADASHIVRAO DADOBA MANDLIK, SHRI C.N. SINGH AND SHRIMATI HEMA GAMANG

Name of the PSUs where disinvestment is at different stages of process

I. PSUs in which Disinvestment decision has been taken and disinvestment is in progress.

1. Hindustan Organic Chemicals Ltd.

2. National Fertiliser Ltd.

3. Balmer Lawrie & Co. Ltd.

4. Braithwaite & Co.

5. Burn Standard & Co.
6. Bharat Heavy Plates & Vessels Ltd.

7 Engineering Projects India Ltd.

8. Fertiliser and Chemicals Travancore Ltd.

9. Hindustan Salts Ltd.
10. Hindustan Cables Ltd.
11. Hindustan Copper Ltd.
12. Instrumentation Control Valves Ltd. Palakkad
13. Madras Fertlisers Ltd.
14. MECON Ltd.
15. Minerals & Metal Trading Corporation
16. National Aluminium Company Ltd.
17. National Instruments Ltd.
18. NEPA Ltd.
19. State Trading Corporation of India Ltd.
20. Shipping Corporation of India
21. Tyre Corporation of India
22. Tungabahadra Steel Products Ltd.
23. Engineers India Ltd.
24. Manganese Ore India Ltd.
25. Sponge Iron India Ltd.
26. Bharat Opthalmic Glass Ltd.
27. Instrumentation Ltd., Kota (Mother Unit)
28. Hindustan Paper Corporation Ltd.
29. Hotel Corporation of India Ltd. at Centaur Hotel Airport, Delhi (including Chefair Delhi)
30. Hotel Corporation of India Ltd. at Chefair Mumbai
31. ITDC Hotel Samrat; New Delhi (Lease-cum-management control)
32. ITDC Hotel Jaipur Ashok
33. ITDC Hotel Patliputra Ashok
34. ITDC Hotel Kaliga Ashok
35. ITDC Hotel Jammu Ashok

II Joint Sector hotel properties of ITDC, where Government is in discussion with State Governments.

36. Hotel Neelchal Ashok; Puri

37. Hotel Lakeview Ashok; Bhopal
38. Hotel Ranchi Ashok, Ranchi
39. Hotel Bramputra Ashok; Guwahati
40. Hotel Pondicherry Ashok; Pondicherry
41. Hotel Donyi Polo Ashok, Itanagar
42. Hotel Punjab Ashok, Anandpur Sahib

III. Disinvestment deferred for three months on 7.9.2002

43. Bharat Petroleum Corporation Ltd.
44. Hindustan Petroleum Corporation Ltd.

IV. Disinvestment process not restarted again after there was no response for earlier sale.

45. Air India
46. India Air lines

V. Open offer of residual shares in the market

47. Maruti Udhyog Ltd.

VI. Recommendations received from the Disinvestment Commission

48. Neyveli Lignite Corporation Ltd.
49. Rail India Technical & Economic Services Ltd.
50. Projects & Equipment Corporation Ltd.
51. IRCON International Ltd.
52. Central Inland Water Transport Corporation Ltd.
53. Cochin Shipyard Ltd.
54. Hindustan Shipyard Ltd.